

Financial matters: Put your own interests first and choose adviser wisely

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Steven Podnos, Guest columnist Published 4:00 a.m. ET Feb. 13, 2020

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Ask for confirmation that your portfolio will contain no investments that pay the investment adviser or their employer in any way. (Photo: Getty Images)

If you want to have some fun with your financial “adviser,” ask them to sign a document like this:

Putting Our Clients' Interests First

We believe in placing our clients' best interests first. Therefore, all employees of _____ are proud to commit to the following five fiduciary principles:

1. We will always put our clients' best interests first.

2. We will always act with the prudence, skill, care, diligence, and good judgment of a professional.
3. We will not mislead clients, and we will provide conspicuous, full and fair disclosure of all important facts.
4. We will always avoid conflicts of interest.
5. We will always fully disclose and fairly manage any unavoidable conflicts in our clients' favor.

Adviser: (signature)

Firm Affiliation:

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Steven Podnos (Photo: For FLORIDA TODAY)



You may be very surprised at your “adviser’s” complete unwillingness to sign this very reasonable document.

In fact, the overwhelmingly majority (say 98%) of financial advice is offered by salespeople (in brokerages, insurance agencies and even “independent financial firms”). These people make their livings by selling you “products” from which they take both direct commissions and hidden kickbacks. They are not acting in your interest, but instead very much for their own wallet and for the companies they work for.

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I find it hard to believe that this is acceptable to anyone. Why would you want to worry about the real reason that your money is invested in any particular place? Why should you have to worry if there are hidden incentives that prompted the recommendation of a mutual fund (it is not unusual for fund companies to offer nice vacation trips to large “producers”)?

With the rise of fee-only planning over the last two decades, there is no reason to use salespeople to manage your hard-earned and vitally important money. You can go to Napfa.com and find a planner in your area that has been screened carefully and confirmed as someone who provides full disclosure of fees and costs and is paid only by you for fiduciary advice.

Don't be fooled by the increasing use of "fee-based" terminology, in which "advisers" can switch between providing investment services for either a direct fee and/or various commissions and hidden charges. Insist on "fee only." Ask for confirmation that your portfolio will contain no investments that pay the investment adviser or their employer in any way.

Put your own interests first. After 15 years in the industry, I can think of no more valuable advice to offer.

Steven Podnos is a fee-only financial planner in Central Florida. He can be reached at Steven@wealthcarellc.com and at www.WealthCareLLC.com.

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